

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 5526

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

USMISSION EC BRUSSELS

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UNCLAS THE HAGUE 1509

E.O. 11652: N/A

TAGS: ENRG, NL

SUBJ: INTRODUCTION OF PRICING MECHANISM FOR PETROLEUM
PRODUCTS IN NETHERLANDS

1. UNDER AGREEMENT ANNOUNCED MARCH 18, MAXIMUM PRICE OF GASOLINE AND OTHER OIL PRODUCTS IN NETHERLANDS WILL BE ADJUSTED MONTHLY UNDER FORMULA DESIGNED TO AVOID EXCESSIVE PRICE FLUCTUATIONS. IN LETTER TO SECOND CHAMBER'S STANDING COMMITTEE, ON ECONOMIC AFFAIRS DATED MARCH 14, ECONOMICS MINISTER LUBBERS DISCLOSED AGREEMENT BETWEEN HIS MINISTRY AND REPRESENTATIVES OF OIL INDUSTRY FOR TRIAL PERIOD OF TWELVE MONTHS, DATING BACK TO LAST PRICE INCREASE MARCH 8.

2. AFFECTED BY NEW PRICING MECHANISM ARE: GASOLINE, KEROSENE,
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GAS-OIL, DIESEL-OIL, AND FUEL OIL. INCORPORATED IN FORMULA

ARE FOLLOWING VARIABLES:

-FREE MARKET PRICES OF PETROLEUM PRODUCTS

-EXCISE DUTIES, VALUE ADDED TAX AND ENVIRONMENTAL LEVIES

-WHOLESALE AND RETAIN MARGINS

-CRUDE OIL COST PRICE

-FREIGHT COSTS

-REFINING COSTS ESTIMATED AT EIGHTEEN GULDERS PER METRIC TON (1DOLLAR=DFL 2.35).

3. EXCEPT IN CASE OF GOVERNMENT IMPOSED LEVIES, INCREASE OR DECREASE IN COSTS OF VARIABLES IN PARA 2 MAY BE PASSED ON IF PER LITER OR PER TON PRICE CHANGES BY AT LEAST 0.5 CENTS OR FOUR GULDERS RESPECTIVELY. CONSULTATION BETWEEN PARTNERS WILL TAKE PLACE IF FREE MARKET PRICES RISE BY MORE THAN SIX PERCENT OR FALL BY MORE THAN EIGHT PERCENT.

4. ACCORDING TO LUBBERS, MAJOR ADVANTAGES OF PRICING MECHANISM ARE THAT NETHERLANDS WILL GET PRICING SYSTEM SIMILAR TO THOSE USED IN NEIGHBORING EC COUNTRIES, AND THAT FUTURE PRICE CHANGES WILL SHOW LESS FLUCTUATION. APART FROM AVOIDING PRICE FLUCTUATIONS, NEW SCHEME IS DESIGNED TO ENSURE THAT CONSUMERS AND TRADE RECEIVE AN UNINTERRUPTED SUPPLY AT REASONABLE PRICES, AND TO SAFEGUARD CONTINUING OF EFFICIENTLY OPERATING REFINING AND DISTRIBUTING FIRMS.
GOULD

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